



**CITY OF HERMANN, MISSOURI  
YEAR ENDED JUNE 30, 2003**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2004-88  
November 22, 2004  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2004

The following problems were discovered as a result of an audit conducted by our office of the City of Hermann, Missouri.

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User fees for electric, water and sewer, and natural gas have not been established at levels consistent with the costs of providing those services. The Board of Aldermen (board) uses utility funds, especially the Electric Fund, to help finance other city operations. It appears the city has established higher than necessary utility rate structures in lieu of increasing general revenues or reducing services provided by the city. These utility services should not generate profits to fund other services provided by the city.

Transfers from the utility and refuse/waste funds represented approximately 15 percent of the revenues of these funds in fiscal year 2003. Although city officials indicated some of the transfers from the Electric Fund to other funds were loans, there was no supporting documentation that these transfers would be repaid, and the city's audit report showed no evidence of such receivables/payables between funds. Additionally, documentation was not available to support the charges for the other transfers, including the gross receipts tax, billing and collection fee, and communication fee.

Engineering services were not always obtained in accordance with state law, and the city did not solicit proposals in accordance with its policy for many professional services, including:

- The city hired several consultants and engineering firms to provide services such as gas and electric service analysis, engineering for gas pipeline upgrade, traffic study, water study, geotechnical services, general and structural engineering services, and water line replacement. The city paid over \$124,000 for these services in fiscal year 2003.
- The city paid over \$242,000 for trash pickup services, for which proposals have not been solicited for more than ten years.
- The city pays \$500 a month for the city's web-site maintenance and \$27,496 for its city attorney's salary, fees and expenses.

In 2002, the city gave \$21,484, to the Highway 19 Missouri River Corporation, a not-for-profit organization, for various expenses of the corporation; however, the specific services to be provided for the financial assistance were not clearly defined in a written agreement.

(over)

YELLOW SHEET

Some expenditures do not appear to be a necessary or prudent use of city funds, including, \$9,400 for planning/goals setting meetings for city officials at various resorts in the state, \$3,100 for a staff meeting for 8 people at a resort in Excelsior Springs, and approximately \$2,000 and \$2,500 in December 2003 and 2002, respectively, for a holiday dinner and gifts for employees and their families.

During the year ended June 30, 2003, the city paid \$1,922 to a business, whose president is a board member, for trucking services which were not competitively bid. The board minutes do not indicate the board member abstained from approving expenditures to his business. Additionally, board minutes do not indicate that the mayor and board members abstained from approving the salary of relatives, as applicable.

Some clauses in the former City Administrator's employment contract did not appear to be in the best interest of the city. Also, the City Collector received a raise during her term of office, which appears to violate state law.

In spring 2003, the city apparently assisted a local winery purchase real estate in the downtown area; however, the city did not obtain an independent appraisal of the property to determine the fair value of the property. According to city officials, there was an oral understanding that the winery would dedicate other property to the city for use as a city park. However, to-date this transaction has not occurred. Additionally, in April 2004, the city agreed to sell a building to another local winery for \$350,000 without obtaining an appraisal or advertising the sale.

In April 2004, the city purchased a motel for \$175,000, without obtaining a formal independent appraisal. Instead the city relied upon its agent to value the property, and then paid the agent 5 percent of the purchase price as his commission.

Also included in the report are recommendations to improve meetings and minutes, accounting controls, records and procedures, and capital assets.

Because most of the present members of the Board of Aldermen are newly elected and were not in office during the time period audited and some city officials are no longer employed by the city, we met with several former city officials regarding the findings. Their responses to certain issues are included in the report.

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Hermann, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Hermann, Missouri. The city engaged Tochtrop & Associates, P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2003. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2003. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and

violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Hermann, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

April 14, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Julie Vollmer

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

CITY OF HERMANN, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Utility Transfers</b>
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User fees for electric, water and sewer, and natural gas have not been established at levels consistent with the costs of providing those services. The Board of Aldermen (board) uses utility funds, especially the Electric Fund, to help finance other city operations. It appears the city has established higher than necessary utility rate structures in lieu of increasing general revenues or reducing services provided by the city. In total, the transfers from the utility and refuse/waste funds represented approximately 15 percent of the revenues of these funds in fiscal year 2003.

Transfers for administrative type costs to the General Fund and other transfers for the three years ended June 30, 2003 were:

	Year Ended June 30,		
	2003	2002	2001
<u>ELECTRIC FUND</u>			
Transfers to other funds	\$ 332,000	433,800	50,000
Transfers of gross receipts tax	306,668	283,257	299,229
Transfers of billing/collection fee	44,744	40,017	33,308
Transfers of communication fee	37,896	0	0
Total	<u>721,308</u>	<u>757,074</u>	<u>382,537</u>
<u>NATURAL GAS FUND</u>			
Transfers of gross receipts tax	96,682	0	0
Transfers of billing/collection fee	14,266	0	0
Transfers of communication fee	37,885	0	0
Total	<u>148,833</u>	<u>0</u>	<u>0</u>
<u>WATER AND SEWER FUND</u>			
Transfers to other funds	675	0	3,513
Transfers of gross receipts tax	23,708	22,966	22,934
Transfers of billing/collection fee	6,254	35,633	36,034
Transfers of communication fee	37,885	0	0
Total	<u>68,522</u>	<u>58,599</u>	<u>62,481</u>
<u>REFUSE AND WASTE FUND</u>			
Transfers of billing/collection fee	\$ <u>8,347</u>	<u>8,266</u>	<u>8,281</u>



We noted the following concerns with these transfers:

- A. Although city officials indicated some of the transfers from the Electric Fund to other funds were loans, there was no supporting documentation such as an ordinance approved by the board, that these transfers would be repaid. Additionally, the city's audit report showed no evidence of such receivables/payables between funds. For the three years ended June 30, 2003, the city transferred the following monies from the Electric Fund to other city funds:

		Year Ended June 30,		
		2003	2002	2001
General Fund	\$	200,000	187,500	0
Recreation Fund		105,000	206,300	0
Park Fund		15,000	40,000	40,000
Cemetery Fund		0	0	5,000
Airport Fund	\$	12,000	0	5,000

- B. Although an ordinance defines the gross receipts tax as ten percent of gross receipts, the ordinance does not identify why ten percent is used.

The city makes quarterly transfers, identified as gross receipts tax, from the utility funds to the General Fund. It appears the city established these transfers because a gross receipts tax is not received from public utility companies. The city should develop a methodology for determining the gross receipts tax transfer.

- C. The city has not performed time studies of the activities performed by city personnel to ensure the billing and collection fee is properly allocated to the various funds. The city makes monthly transfers, identified as billing and collection fee, from the utility and refuse/waste funds to the General Fund to cover administrative expenditures incurred. Actual time and expenses spent on the billing and collection effort are not used. Additionally, the billing and collection fee is not established by ordinance.

The billing and collecting fee for refuse/waste is a set 55 cent fee added to the customer's bill. However, this fee is not based upon activities performed by city personnel for the fund.

For the utility funds, part of the billing and collection fee is based on the city collector's salary and one-half of the deputy city collector's salary, regardless of what activities they perform. That amount and the time charged by various city employees involved in the billing and collection activity, and other billing expenses, is then charged to the various funds based on the percentage of budgeted receipts to total budgeted receipts for the utility funds.

The city should base this fee on the actual time and expenses spent on the billing and collection effort and establish this fee by ordinance.

- D. Documentation was not available to support how the communication fee was determined. In fiscal year 2003, the city started charging the utility funds a monthly communication fee for dispatching services. The dispatching costs are split fifty percent to the police, with the other fifty percent split equally between the utility funds. In addition, this fee is not established by ordinance. The city should base this fee on the actual time and expense spent on the dispatching services and establish this fee by ordinance.

The utility funds are separate accounting entities designed to account for specific city activities. Utility revenues should be used to fund the operations of the respective utility services only. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs), repaying bonds, and repairing and replacing infrastructure. These utility services should not generate profits to fund other services provided by the city. The existing utility rate structures have allowed the city to, in effect, levy additional taxes without a vote of the citizens. Property taxes, sales taxes and other fees can be established or increased; but, these require a vote of the citizens.

The city needs to properly allocate expenses to the utility and refuse/waste funds to establish appropriate user fees. The city should ensure expenditures are allocated to the various funds in proportion to the benefits received from the expenditures. Documentation should be retained to support the percentages used for allocating expenditures.

**WE RECOMMEND** the Board of Aldermen discontinue subsidizing general city operations and the operations of other funds with utility funds. The City needs to establish utility rates to cover only those costs necessary to provide the related utility services.

If the city continues making the transfers for the gross receipts tax, billing and collection fee, and communication fee, the city needs to develop a methodology for determining the amount of the transfers, retain adequate documentation to support the transfers, and establish ordinances for the applicable transfers.

### **AUDITEE'S RESPONSE**

*The City maintains that it may continue to subsidize general city operations and the operations of other funds with utility funds; provided, however, that the city will accept the Auditor's recommendation that such subsidies should be periodically planned and budgeted and should not exceed a certain reasonable percentage of the utility funds' revenues.*

*The City's research has revealed no Missouri case, statutory or regulatory law prohibiting such subsidies. The City would certainly be willing to review the Auditor's legal authority for her position.*

*The City maintains departments funded by the General Fund to keep track of Billing, Collecting and Communications expenditures. These expenditures can be reasonably allocated among the Proprietary Funds and the General Fund based on the approximate time required for each activity. Although we do not feel the need to go to the extent of purchasing time and billing software to arrive at the allocation percentages, we agree that the actual costs for these activities should be charged to the Proprietary Funds.*

*The Gross Receipts Fee is similar to the type of fee a public utility company would have to pay to operate in the City. Using a set percentage of gross revenue is a reasonable way of charging the fee. When the City first decided to establish and operate the Electric Department, it did so in an effort to provide good and affordable service to the citizens. As a public utility company pays a reasonable rate of return to its investors, the City employs area residents and provides a higher Gross Receipts Fee to help fund Governmental operations. The Gross Receipts Fee percentage can be set at different rates depending on each enterprise fund's ability to cover the costs necessary to provide the utility service, while charging customers rates that compare favorably with the surrounding area. This should eliminate or at least minimize the need for special transfers from the Proprietary Funds to the Governmental Funds.*

#### **FORMER CITY ATTORNEY'S RESPONSE**

*Although the field auditor inquired into the history of the city's electrical distribution system and transfers of funds to and from the account maintained for that system, none of the information was carried over into the audit report. Had it been, the report would have revealed that there had been a consistent history, stretching back approximately 50 years, of electric system surplus funds being transferred, either as loans or as means of financing other municipal functions, to other accounts likewise maintained by the city, such as for industrial development, capital improvements and additions, and other enterprise funds. The relative amount of such transfers has varied from year to year, many of which were far greater than the amounts referenced in the two years focused on by the audit, and some less than those amounts. What did not vary, however, was the dependence of city government upon the availability of such funds.*

*When the city government proposed to purchase the electric distribution system, a public vote was taken to approve or disapprove that purchase. The voters did approve acquisition of the system from the predecessor to AmerenUE. Within a few years after that purchase, the city obtained the benefit of a very favorable contract with the Southwestern Power Administration for the right to receive, at a price far below the prevailing market price, quantities of hydroelectric power generated from water impounded by dams in the federal flood control system. In granting those contract rights to the city, the federal government recognized that one of the advantages to be realized by the city was the ability to furnish its citizens with dependable electrical energy at a very favorable price. But another consequence that was also recognized was that the city could simultaneously pass on those energy savings to its citizens in low electric rates and still operate at a profit which could then be used for funding other municipal services. That contractual relationship continues to this day, with the same recognition of benefits that accrue to the City of Hermann.*

*In that context, the recent transfers described in the audit report are neither unusual, improper, or unauthorized by the public, which approved the acquisition of the electric system and benefited consistently from the revenues generated by that system.*

## **AUDITOR'S COMMENT**

Although a city may charge for delivering services, the question is whether the city is collecting so much more revenue than they need to provide the service, which would indicate a hidden tax. Attorney General's Opinion No. 124, 1981 to Holt, concluded that the purpose of a user charge was to "defray the cost of providing the service for which the charge is made, rather than to provide additional revenue for the general support of the local subdivision." Additionally, *Keller v. Marion County Ambulance District*, 820 S.W. 2d 301 (Mo. 1991) provided that a user charge is dependent on the level of goods or services provided. Thus, a rational relationship between the amount charged and the costs of providing the service should exist.

<b>2. Expenditures</b>
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The city's procurement procedures are not always followed and written agreements are not always obtained for professional services. In addition, supporting documentation for credit card purchases is not adequate, money was given to a not-for-profit entity without a written agreement, and some expenditures do not appear to be prudent uses of public funds.

A. The city needs to improve its policies and procedures over the procurement of goods and services. The city's bidding/purchasing policy provides that expenditures for goods and services in excess of \$5,000 be based on public bids, with the request for proposals/bids advertised in the local newspaper for a minimum of one week prior to when the proposals/bids are due. The city administrator is authorized to purchase goods/services under \$5,000 without proposals/bids. We noted the following problems during our review of expenditures in fiscal year 2003:

1. The city did not solicit proposals in accordance with its policy for many professional services, and engineering services were not always obtained in accordance with state law. In addition, a written agreement was not always prepared and adequate supporting documentation was not always obtained for professional services.

- The city hired several consultants and engineering firms to provide services such as gas and electric service analysis, engineering for gas pipeline upgrade, traffic study, water study, geotechnical services, general and structural engineering services, and water line replacement. The city paid over \$124,000 for these services, and no written agreement was prepared for three engineering projects, one construction project, and the meter reading service.

Additionally, there was no documentation that the city considered at least three qualified firms for the engineering services, as provided by state law.

- The city paid over \$242,000 for trash pickup services. According to city personnel, the city has not solicited proposals for this service for more than ten years.
  - The city pays \$500 a month for maintenance of the city's web-site and for public relations services, and does not have a written agreement for these services. Additionally, the monthly invoice does not describe any tasks performed or when performed, but is simply a request for payment of the monthly "contract services".
  - The city hired an individual to act as the city's building inspector; however, a written agreement was not signed for these services. From March 2003 to the middle of July 2003, the city paid the building inspector a fee for each inspection. These fees totaled \$1,913. However, since that time the city has paid the building inspector \$1,941 a month for his services but does not require him to submit an invoice or time sheet.
  - The city paid \$27,496 for its city attorney's salary, fees and expenses, and a written agreement was not prepared for these services.
2. Public bids were not solicited for some goods and/or equipment purchases including recycling bins, totaling \$27,787; dispatching equipment, totaling \$139,991; and street lights, totaling \$50,210. Although city personnel indicated the recycling bins and dispatching equipment were sole source purchases, documentation of these sole source procurement situations was not maintained. Requests for bids for the street lights were faxed to various companies, rather than advertising for bids.

The city needs to ensure its procurement procedures are followed. Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Also, soliciting proposals for professional services provide a range of possible choices and allow the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best costs. Complete documentation should be maintained of all bids/proposals received and reasons noted why the bid/proposal was selected. If circumstances provide that bidding is not necessary or practical, such as sole source providers or emergency situations, the reasons for not soliciting proposals/bids in accordance with the city's policies should be documented.

Additionally, Sections 8.285 to 8.291, RSMo, provide that when obtaining engineering services, at least three highly qualified firms should be considered. The firms should be evaluated based on specified criteria and qualifications for the type of service required.

Furthermore, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. The written agreements should specify the services to be rendered and the manner and amount of compensation to be paid. The city should also ensure adequate supporting documentation is obtained for services provided, including a description of the tasks performed and time spent on these tasks, if applicable. Lack of adequate documentation prevents the city from evaluating the appropriateness of the services being billed.

- B. Supporting documentation for credit card purchases needs to be improved. The city has eleven credit cards used by officials and employees for paying city-related expenses. Charges to these cards include expenses for hotels, meals, car rentals, airline tickets, and office supplies. Credit card expenditures totaled over \$14,000 for the year ended June 30, 2003.

1. The actual itemized charge receipt is usually not submitted. Generally, only the signed totaled charge slip is submitted to support the credit card charge. We also noted several charges for which no supporting documentation was submitted.
2. The supporting documentation for business meals does not always include the specific business purpose and/or guest(s). Meal charges sometimes included the card holder and other city personnel and charges were incurred both within and outside the city limits.

Adequate supporting documentation should be obtained and retained for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges. Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of credit card purchases.

- C. In 2002, the city gave \$21,484, to the Highway 19 Missouri River Corporation, a not-for-profit organization, for various expenses of the corporation; however, the specific services to be provided for the financial assistance were not clearly defined in a written agreement. It appears the money was used for lobbying services and advertising.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement that clearly indicates the governmental purpose being provided by the entity, these uses could be considered to be a violation of the constitution. Written agreements are necessary to quantify the services to be performed and the compensation to be paid for the services, provide

a means for the city to monitor compliance with the contract terms, and protect the city in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo, requires all contracts to be in writing.

D. Some expenditures do not appear to be a necessary or prudent use of city funds.

- In April 2003 and 2002, the city spent more than \$9,400 for planning/goal setting meetings. Each year, the board holds a 3-day planning/goal setting meeting in other locations within the state. In fiscal year 2003 and 2002, these meetings were held at resorts in Excelsior Springs and Branson, respectively.

Generally, the mayor, aldermen, city administrator and his assistant, city clerk, city collector, and the city attorney attended these meetings. Meeting costs included lodging, meals, mileage, and conference room fees. In addition, we noted meal costs, per individual, exceeded the city's travel expense policy of a \$20 per diem. For example, dinner theater tickets, costing \$37 per individual, were purchased for an evening meal. Also, the city paid the resort in Branson over \$250 in state sales tax.

- In January 2003, the city spent approximately \$3,100 for a staff meeting which included the city administrator and his assistant, plus department heads (8 people) at a resort in Excelsior Springs.
- The city spent approximately \$2,000 and \$2,500 in December 2003 and 2002, respectively, for a holiday dinner and gifts for employees and their families.

City personnel indicated these meetings were necessary at these locations to avoid distractions. Additionally, city personnel indicated the timing of these meetings was important to discuss plans and goals for the upcoming fiscal year. While the importance of the meetings is not questioned, the costs related to holding such meetings at a distant location appears to be an unnecessary expenditure of public funds.

The city's residents place a fiduciary trust in their public officials to expend public funds in a manner that provides the greatest benefit to the city. The above expenses do not appear to represent a necessary or prudent use of public funds.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure bids and/or proposals are solicited for purchases in accordance with the city's bidding/purchasing procedure, or fully document reasons why bids/proposals are not solicited. Engineering services should be procured in accordance with state law. In addition, written agreements should be prepared for professional services.

- B. Require credit card charges be supported by the actual itemized charge receipts. Additionally, the city should require employees to submit proper documentation for city-related expenses, including the name(s) of the guest(s) and the business purpose for meals.
- C. Ensure financial assistance to other entities provide a governmental benefit to the city and do not violate state law or the state constitution. Written agreements should be prepared which specifically address the services to be provided and compensation to be paid.
- D. Ensure expenditures are a necessary and prudent use of public funds and provide a benefit to the city.

### **AUDITEE'S RESPONSE**

A-D. *We agree with your recommendations.*

### **FORMER MAYOR'S RESPONSE**

- D. *The audit report did not reflect any consideration of the utility of the meetings or the relative effectiveness of the site and format chosen for them. The unanimous conclusion each year by those officials in attendance was that the results far exceeded their expectations and that the consensus that was developed on identifying goals and objectives for the city and the means of achieving them would have been impossible to obtain in any normal three day period. The attendees were able to use the extended time away from personal business and family obligations, and normal interruptions that arise routinely, to delve deeply into issues and offer their own special concerns about a broad range of topics. After they were able to hear each other's concerns, it became far easier to resolve their different opinions and find a common ground on which to base policy and action. By meeting in communities that shared tourism-related issues with Hermann and visiting with officials from those communities, the Hermann officials had a rare opportunity to learn from others' successes and failures and to hear first-hand the analyses of the other cities' officials of the reasons for their successes or failures.*

<b>3.</b>	<b>Meetings, Minutes, and Records</b>
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Minutes for board meetings are not always adequate, and several weaknesses were noted with the board's procedures for closed meetings. Additionally, the city needs to improve its controls over information requested by the public.

- A. Advance notice and a tentative agenda were not always posted as required by law. Also, minutes for board meetings are not always adequate and public access is not provided for telephone polls of board members.



1. Some board meeting notices and tentative agendas were not always posted as required by law, nor did the city document the reason for not giving the required notice for these meetings. City personnel indicated these meetings were held without the required notice due to the urgency of the matters.

Section 610.020, RSMo, requires all public governmental bodies to give advance notice of their meetings. When it is necessary to hold a meeting on less than twenty-four hours' notice, the reason justifying the departure from the normal requirements shall be stated in the minutes.

2. Although a notice appears to have been posted for board workshops, the minutes did not adequately document issues discussed and decisions made. Annually, the board, mayor, city administrator, and other personnel meet for a 3-day planning/goal setting workshop. The city needs to ensure that adequate minutes are maintained for all meetings.

Complete and accurate minutes provide an official record of board proceedings and actions. Section 610.010, RSMo, provides that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meeting law, which includes the preparation of minutes documenting any actions taken or decisions made.

3. No minutes are taken for telephone polls of board members, and the notice and tentative agenda for the telephone polls are not posted. Additionally, the board does not provide public access to these meetings. The board holds telephone polls for various reasons, such as when a decision needs to be made before the next scheduled meeting.

Section 610.020, RSMo, requires at any public meeting conducted by telephone, the public shall be given advance notice in order to observe and attend the meeting. This statute also requires minutes be taken and retained for meetings.

B. Several weaknesses were noted with the board's procedures for closed meetings.

1. Sometimes the board discussed issues other than the specific reason(s) for going into a closed session. For example, personnel was listed as the reason for a closed session in the regular board minutes and meeting agenda; however, both personnel and real estate was discussed. In another instance, litigation was discussed in a closed session; however, litigation was not listed as a reason for going into closed session in the regular board minutes and meeting agenda.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues. Section 610.022, RSMo, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reasons used to justify such meeting, record, or vote.

2. It was unclear how some items discussed by the board during closed meetings are allowed under the provisions of the Sunshine law. Examples include discussions about potential city developments, approval of utility extensions, approval of a fee agreement with an attorney, and new employee positions.

Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

3. The minutes for the closed meetings are not signed. Rather, the name of the city clerk and mayor are typed. The minutes should be signed by the city clerk and mayor to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

- C. The minutes and records of meetings of city affiliated boards, committees, and commissions were not always complete and were not maintained by the City Clerk, the official custodian of records.

A summarization of meeting discussions was not always prepared, minutes were not always signed by the preparer and/or chairperson, and some minutes were not properly approved. In addition, documentation of notice for meetings was not always maintained.

Complete and accurate minutes provide an official record of board, committee, and commission actions. In addition, Section 610.020, RSMo, requires minutes be taken and include the date, time, place, members present, members absent, and a record of votes taken. Minutes should be approved and signed to provide an independent attestation that the minutes are a accurate record of the matters discussed and actions taken during the meetings. Furthermore, notice of the meeting and agenda should be posted at least twenty-four hours before the meeting.

- D. The city does not have adequate controls to ensure compliance with the Sunshine Law in following up on information requested by the public. The city does not maintain a log of public requests. In addition, based upon an opinion from the

city attorney, the city denied requests for draft minutes. However, the Attorney General's web-site on the Sunshine Law indicates that draft minutes should be made available to the public. According to city personnel, draft minutes are now released.

Section 610.023, RSMo, provides each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

To ensure the city is complying with statute, the city should document adequate information in a request log to determine if requests are completed timely and that all requests are adequately fulfilled.

**WE RECOMMEND** the Board of Aldermen:

- A. Allow access to and maintain minutes for all meetings, as required by state law. In addition, the board should ensure notices and tentative agendas of all board meetings are posted.
- B. Ensure minutes state the specific reasons for going into closed session and limit closed meetings to only those purposes specifically allowed by state law. In addition, the closed meeting minutes should be properly signed to attest to their accuracy.
- C. Ensure meetings of city affiliated boards, committees, and commissions are publicly posted and minutes are maintained, approved, and signed. In addition, the City Council should ensure copies of these minutes are maintained by the City Clerk.
- D. Ensure a public request log is maintained and that the city is complying with the Sunshine law.

**AUDITEE'S RESPONSE**

*A-C. We agree with your recommendations.*

*D. The recommendation has been implemented.*

**4.****Conflict of Interest**

Competitive bids were not obtained for purchases from a board member. In addition, it appears that the mayor and several board members did not abstain from voting on salary issues involving relatives.

- A. During the year ended June 30, 2003, the city paid \$1,922 to a business, whose president is a board member, for trucking services which were not competitively bid. In addition, the board minutes do not indicate the board member abstained from approving expenditures to his business.

Section 105.454, RSMo, prohibits financial transactions between a city and an officer (or spouse, dependent child, or business and corporate interest of the officer or employee) of the city that involved more than \$1,500 per year or \$500 per transaction unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.

- B. Board minutes do not indicate that the mayor and board members abstained from approving the salary of relatives, as applicable. The mayor and several board members have relatives employed by the city, and the salary range for city employees is included in the salary ordinance approved by the board.

Discussions and decisions concerning situations where nepotism or a conflict of interest exist should be completely documented so that the public has assurance that no city official has acted improperly. City officials should refrain from approving the salary of relatives and their abstention should be clearly documented in the minutes.

**WE RECOMMEND** the Board of Aldermen refrain from entering into business transactions with city officials unless there has been public notice and competitive bidding in accordance with state law. In addition, board members should abstain from discussing and voting on issues related to a relative's employment. Such matters should be fully documented so that the public has assurance that no city official has acted improperly.

**AUDITEE'S RESPONSE**

*We agree with your recommendation.*

**5.****Accounting Controls, Records, and Procedures**

The city has not solicited bids for its checking and depository services nor entered into a written agreement with its depository banks. The use of facsimile signature stamps on

checks has decreased the controls over disbursements, and the board minutes do not include a list of all approved disbursements.

- A. The city has not solicited bids for its checking and depositary services nor entered into a written agreement with its depositary banks. The city currently has accounts at three local banks. Section 95.335, RSMo, provides for the selection of depositary banks and authorizes that the rights and duties of the parties be entered into a depositary contract.

To ensure the quality of banking services and ensure interest earnings received by the city are maximized, the city should procure its banking services through a competitive bid process. A written depositary contract helps both the bank and the city understand and comply with the requirements of any banking arrangement. The contract, among other things, may specify the bank fees for check printing, checking account services, safe deposit boxes, interest charges for borrowing funds, interest rates for invested funds, and a requirement for the bank to pledge collateral security for any deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

- B. The use of facsimile signature stamps on checks has decreased the controls over disbursements. The city's bank accounts require three signatures for all disbursements, and five people are authorized to sign checks. However, checks are generally signed only by the deputy collector, using the facsimile stamps of the city clerk, mayor, and city treasurer, and the stamped signatures are not accompanied by the stamp user's initials. Furthermore, many employees have access to these stamps.

The use of facsimile stamps and the unrestricted access to the stamps diminishes the controls intended by multiple signatures and increases the risk of unauthorized payments being processed. The city should evaluate whether the volume of checks justify using facsimile signature stamps. If the city decides to continue the practice of using facsimile stamps, then the stamped signatures should be accompanied by the stamp user's initials, and access to the stamps should be restricted.

- C. The board minutes usually only make a general reference that a list of checks is approved for payment. This list is not signed or initialed by the aldermen to indicate approval and a detailed list of the approved checks is not included with the official minutes. Invoices are not provided to the board for their review; however, they are available upon request.

To adequately document the board's review and approval of all disbursements, a detailed list of checks should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to

properly review all invoices and supporting documentation, and to document authorizations, increases the possibility of inappropriate disbursements occurring.

**WE RECOMMEND** the Board of Aldermen:

- A. Seek competitive bids for its banking services on a periodic basis, and enter into a written agreement with the depository banks, as provided by state law.
- B. Evaluate whether the volume of checks justify using facsimile signature stamps. If the city decides to continue the practice of using facsimile stamps, then the stamped signatures should be accompanied by the stamp user's initials, and access to the stamps should be restricted.
- C. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes. In addition, the board should review and approve the disbursement of city funds prior to the disbursement being made.

**AUDITEE'S RESPONSE**

*A-C. We agree with your recommendations.*

<b>6. Payroll and Personnel Matters</b>
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Concerns were noted regarding the former city administrator's employment contract, vacation pay, and commuting mileage. In addition, the City Collector received a raise during her term of office, not all employees prepare time sheets, and taxes are paid on the city's contributions to its deferred compensation plan.

- A. We noted concerns regarding the former city administrator's employment contract, vacation pay, and commuting mileage.
  - 1. Some clauses in the former city administrator's contract did not appear to be in the best interest of the city. The city entered into a new employment contract with the former city administrator, effective April 1, 2002 through March 31, 2004, with the contract automatically renewing each subsequent year until termination of the contract by either party.
    - The severance pay clause appeared excessive. If the contract was terminated by the city before expiration of the initial or subsequent term of employment, the city was to pay a lump sum cash payment equal to twelve months' aggregate salary and benefits.
    - The contract provided for salary increases of a minimum of five percent each year. This five percent minimum was not based on

performance. By obligating the city in advance for a salary increase, the city has little flexibility in establishing his compensation based upon an evaluation of his performance or upon the financial condition of the city. The contract did provide for any salary increase above the five percent be based on performance. Generally, pay increases should be based on performance and monies available in the budget, not an automatic minimum amount each year.

The city should ensure the employment contract for its city administrator is in the best interest of the city, and limit the city's potential liability for termination pay and salary increases.

2. In April 2003, the former city administrator received \$6,596 for 196 hours of accumulated vacation; however, the reason for this payment was not documented. The city's personnel policy provides that in the event of an employee's financial emergency or when deemed in the best interest of the city, an employee may be paid for all or a portion of the employee's unused vacation.

The reasons for paying unused vacation should be documented, to ensure the city personnel policy is followed and that all employees are treated fair and equitable. Although the mayor approved the payment of the unused vacation hours, there was no documentation there was a financial emergency or that the payment was in the best interest of the city. City monies should not be expended in a manner that primarily benefits individuals.

3. The city did not report the value of personal automobile (commuting) use in a city vehicle by the former city administrator as compensation. Federal regulations require all employers to withhold payroll taxes and include the value of personal automobile (commuting) use in taxable income. The Internal Revenue Service (IRS) Code provides several methods to determine automobile commuting values.

The city should ensure that commuting use in city vehicles is properly reported as taxable income and payroll taxes withheld for all applicable employees.

- B. The City Collector received a raise during her term of office, which appears to violate state law. City ordinance 1375 established her salary at \$26,467 and \$28,055 for the years ended March 31, 2003 and 2004, respectively.

Article VII, Section 13 of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition,

Section 70.270 RSMo, states that the salary of a municipal officer shall not be changed during the time for which he was elected or appointed.

- C. Salaried employees and the court clerk do not prepare time sheets. Time sheets are necessary to document hours actually worked, to substantiate payroll expenditures and the allocation of payroll expenditures to the various funds, and to provide the board with a method to monitor hours worked. To support payroll expenditures, the city should require all employees prepare detailed time sheets that are reviewed and approved by a supervisor.
- D. Due to the type of deferred compensation plan utilized, the city is paying Federal Insurance Contribution Act (FICA) withholdings and Medicare tax on its contributions. The city pays 5.6 percent of each full time employee's gross salary into a deferred compensation plan. In fiscal year 2003, the city paid \$47,766 to the deferred compensation plan for employees and paid an additional \$3,654 for FICA and Medicare.

Some deferred compensation incentive plans do not tax contributions made by the governmental entity. The city should consider establishing a deferred compensation incentive plan which does not require the payment of taxes on its contributions.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Ensure employment contracts contain severance pay clauses which are reasonable given the length of the contract. Additionally, pay raises should be based on performance and monies available in the budget, not an automatic minimum amount each year.
- 2. Document the reasons for paying unused accumulated vacation.
- 3. Ensure commuting use in city vehicles is reported as taxable income and payroll taxes are withheld for the applicable employees.
- B. Ensure the salaries of the city's officials are not changed during their term of office.
- C. Require all city employees to prepare time sheets reflecting the actual time worked. In addition, time sheets should be signed by the employee and the applicable supervisor.
- D. Consider establishing a deferred compensation incentive plan which does not require the payment of taxes on the city's contributions.



## **AUDITEE'S RESPONSE**

*A.1&3,*

*B, C. We agree with your recommendations.*

*A.2. The City will review its policy on paying accumulated vacation hours.*

*D. The City will review the deferred compensation incentive plan suggested by the Auditor.*

<b>7. City Policies, Procedures, and Records</b>
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Significant problems were noted with the city's procedures over the purchase/sale of real property, and the city has not developed a formal plan for the use of all real property. In addition, formal policies/procedures have not been established for requests for services from the public, an appeal board and procedures for an appeal process have not been developed for building inspections, and an annual maintenance plan is not prepared for city streets.

A. We noted significant problems with the city's procedures over the purchase and sale of real property.

1. In spring 2003, the city apparently assisted a local winery purchase real estate in the downtown area; however, the city did not obtain an independent appraisal of the property to determine the fair value of the property.

According to the former city attorney, the purchasers acquired the property through the use of a third party. The Industrial Development Authority (IDA), with funds from the city, and the winery each paid \$33,750 to the attorney for the purchase. The title was transferred from the third party to the IDA, who in turn transferred the title to the winery. According to city officials, there was an oral understanding that the winery would dedicate other property to the city for use as a city park. However, to-date this transaction has not occurred. It appears the city did not receive any value for the public funds expended.

2. In April 2004, the city agreed to sell a building to a local winery for \$350,000, without obtaining an appraisal or advertising the sale. This property was purchased by the city in December 1998 for approximately \$281,000 to be used as a community center. According to city personnel, the city obtained an appraisal in June 1998 which valued the property at \$350,000. In 1999, the city received bids on the property, with the local winery being the highest bidder at approximately \$316,000. However, the city discovered an environmental clean-up was needed on the property.

The property was subsequently sold to the winery, after the clean-up costs totaling approximately \$51,000 were completed.

3. In April 2004, the city purchased a motel for \$175,000, without obtaining a formal independent appraisal. Instead the city relied upon its agent to value the property, and then paid the agent 5 percent of the purchase price as his commission. An independent appraisal helps ensure fair value is given for property. According to city personnel, the city plans to demolish the motel to address storm water problems and to relocate the replica of the pilot house to the site.

The city should ensure that all transactions involving the purchase and/or sale of real property is in the best interest of the city. Good business practices require major real estate transactions be formally and independently appraised to ensure fair value is given or received for properties. In addition, adequate planning should be performed and public input be obtained prior to approving significant capital expenditures. Also, to ensure the best price is received, bids should be requested when selling real estate.

- B. The city was unable to readily identify all real property owned and has not developed formal plans for the use of all city property. The city's financial statements at June 30, 2003 show real estate totaling over \$2.9 million.

At our request, the city prepared a list of real property owned by the city, identified the location of the property on a city map, and indicated the purpose/use of the property. Although the city maintains two lists of its property, one for use by its independent auditor and one by legal description (tax records), city personnel were not sure that either property list was completely accurate. Therefore, the list was prepared from county records. However, this list included many instances where the date of purchase or the purpose/use of the property was unknown. The city also identified six tracts of land, purchased between 1962 and 1994, which were not on the city's tax records. To-date, the city has not reconciled the list prepared for us with the list used by the independent auditor.

Adequate records of city property are necessary to ensure all property is properly accounted for. In addition, a comprehensive plan for the present and future use of city property would help the board to plan and budget for community development. The plan should be reviewed and updated periodically, as needed.

- C. The city has not established a formal written policy/procedure for the review and approval of requests for services from developers, businesses, and property owners. As a result, the city has little assurance that all city residents, developers, and businesses are treated equitably.

Requests are handled on an individual basis and include the city furnishing infrastructure services, replacing parking lot lights, providing extra police

protection during city festivals, repairing/replacing sidewalks, and leasing city property. Additionally, the city does not always enter into written agreements defining services to be provided and benefits to be received.

The board should consider establishing a formal written policy which defines the guidelines for approving requests for services to help ensure fair and equitable treatment is extended to all citizens and businesses. This policy should be communicated to citizens and businesses. In addition, written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires all contracts to be in writing.

- D.1. Although the city adopted the International Building Code (IBC) in January 2003, the city has not formed an appeal board or adopted procedures for an appeal process regarding building inspections, as provided by the code. An appeals process with a board of appeals is necessary to ensure citizens and businesses are treated in a fair and equitable manner.
- 2. The building inspector did not retain documentation of building inspections. According to the building inspector, the inspection documentation is recorded on the building permit copy which is retained by the individual who purchased the permit. As a result, the city does not have a record of the inspections performed, and the city has little assurance that each building is inspected and has met required standards.
- E. An annual maintenance plan for city streets is not prepared. A formal maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input for the plan from city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen:

- A. Refrain from entering into real estate transactions in which the city does not receive fair value for the public funds expended. Any future significant purchases of real property should be done only upon the preparation of formal documented plans for its use. In addition, independent written appraisals should be obtained

prior to all real property transactions, and the city should require bids when selling real property.

- B. Ensure real property records are accurate, and include all relevant information. In addition, the city should establish a formal plan for the present and future use of real property. The plan should be reviewed and updated periodically, as needed.
- C. Establish a formal written policy which defines the guidelines for approving requests for city services. The city should enter into written agreements defining services to be provided and benefits to be received.
- D. Establish an appeal board and procedures for an appeal process for building inspections. In addition, documentation of building inspection should be retained by the city.
- E. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

#### **AUDITEE'S RESPONSE**

*A-E. We agree with your recommendations.*

<b>8. Capital Assets</b>
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Various problems were noted regarding the city's capital asset records and related procedures. The city's financial records at June 30, 2003, show an investment in capital assets totaling over \$12.8 million. The city's capital assets include land, buildings, equipment, vehicles, and the utilities' infrastructure added to the systems since July 1, 1989. Our review of capital asset records and related procedures noted the following:

- A. The capital asset records are not complete and/or accurate. Although property is tagged for specific identification, the tag number is not recorded in the property records. Additionally, serial numbers or other identification are not always recorded in the property records. Such information is necessary to assist in the annual inventory and to provide complete and accurate capital asset records.

The capital asset records should include a detailed description of assets including the name, make and model numbers, an asset identification number, the physical location of the assets, and the date and method of disposition, if applicable.

- B. Capital asset duties are not adequately segregated. Each department head performs a physical inventory of their assets, and the individual who maintains the property records performs the physical inventory of assets in city hall. Also,

based on the physical inventories, adjustments are made to property records; however, these adjustments are not reviewed and approved by management.

To improve internal controls and to adequately safeguard assets from theft or misuse, the physical inventory should be performed by an individual independent of the custodial and record keeping functions, and adjustments to the capital asset records should be reviewed and approved by city management.

- C. The city's policy for property dispositions is not always followed, and the city needs to improve its policies and procedures to properly handle and account for property dispositions. The city's policy provides that the board should declare property to be surplus property and decide the method of disposition (public auction or sealed bid) for all real and personal property.

- The board does not approve the disposition of capital assets when the assets are traded in or thrown away.
- Although the surplus property lists are approved by the board, the lists are not retained with the official meeting minutes and are not signed or initialed by the board to indicate approval.
- Without obtaining bids, the city sold a laptop computer to the former city administrator for \$289.

The city needs to ensure its policies and procedures regarding the disposal of surplus property is followed. In addition, to ensure board approval of all dispositions, the surplus property lists should include all dispositions, be signed or initialed by the board, and be retained with the board minutes. Also, city property should not be sold directly to an employee.

- D. Control over the usage of vehicles is not adequate. The city owns over 20 vehicles, but does not maintain mileage/usage logs for these vehicles. Mileage and/or usage logs are necessary to document the appropriate use of vehicles. (see finding number 6.A.3. above)

The logs should document the beginning and ending odometer readings, destination, and purpose of each trip. These logs should be reviewed by city management to help ensure vehicles for city business are being properly utilized and help identify any vehicles that should be replaced. In addition, the logs should be reviewed in conjunction with gasoline and other maintenance charges.

- E. Although fuel usage logs are maintained, inventory records (purchases, gallons pumped, balance) for the city's bulk fuel tanks are not maintained. To help ensure the reasonableness of fuel expenditures and that gasoline is not being used for other than city business, inventory records for the city's fuel tanks should be maintained. In addition, on a periodic basis, the inventory records should be

reconciled to the fuel usage logs, and the fuel on hand should be measured and agreed to the inventory records.

- F. A vehicle purchased in December 2001 by the city from the State Agency for Surplus Property (SASP) was not properly utilized and had to be returned to SASP. According to the former city administrator, he obtained a 1953 Dodge pickup from SASP to be used in the Explorer program; however, it appears the pickup was never used and was stored at his residence. In January 2002, the former city administrator paid \$750, the cost of the vehicle, to the city. In October 2003, due to the vehicle not being utilized by the city, the U.S. General Services Administration required the vehicle be returned to the SASP.

Items purchased from SASP should be used by the city for carrying out or promoting for the residents one or more public purposes, and stored on city property to ensure full compliance with applicable rules and regulations.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure complete and accurate capital asset records are maintained.
- B. Ensure the physical inventory is conducted by persons independent of those having record keeping or custodial duties. In addition, adjustments to capital asset records should be reviewed and approved by management.
- C. Ensure the city's policy for surplus property is followed. The surplus property lists should include all dispositions, be signed or initialed by the board, and be retained with the board minutes. Also, city property should not be sold directly to an employee.
- D. Require complete and accurate mileage/usage logs be maintained for each city vehicles. Management should periodically review the logs for completeness and reasonableness.
- E. Require inventory records be maintained for the city's bulk fuel tanks. In addition, on a periodic basis, the inventory records should be reconciled to the fuel usage logs, and the fuel on hand should be measured and agreed to the inventory records.
- F. Ensure items purchased from SASP are used only for the benefit of the city and are stored on city property.

**AUDITEE'S RESPONSE**

*A-F. We agree with your recommendations.*

**FORMER CITY ADMINISTRATOR'S RESPONSE**

- C.     *The laptop computer was sold to me based on value for the unit from Dell given that the unit was not repairable. Documentation for this value from the supplier was provided to the auditor.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION



CITY OF HERMANN, MISSOURI  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The city of Hermann is located in Gasconade County. The city was incorporated in 1845 as a fourth-class city. The population of the city in 2000 was 2,674.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Aldermen receive \$200 and \$75, respectively, for each month in office. The Mayor, Board of Aldermen, and other principal officials at June 30, 2003, are identified below.

Elected Officials	Term Expires	Compensation Paid for the Year Ended June 30, 2003
Doris Binkholder, Mayor (1)	April 2004	\$ 2,400
Suzanne Welker, Alderman (2)	April 2004	900
Larry Kallmeyer, Alderman (3)	April 2004	900
John Penning, Alderman	April 2005	900
Gary Buckler, Alderman (4)	April 2004	150
Marilyn Fricke, City Collector (5)	April 2004	26,864
 <u>Other Principal Officials</u>		
Charles Browne, City Administrator (6)		76,596
Dolores Grannemann, City Clerk		42,525
Lois Puchta, City Treasurer (7)		2,871
Russell Rost, Chief of Police (8)		50,500
Joseph Gandy, Street and Park Superintendent (9)		43,113
Philip Nolan, Electric Superintendent		46,480
Mark Wallace, Gas and Water Superintendent		46,292
P. Dennis Barks, City Attorney (10)		27,496
David Baylard, Municipal Judge		3,000

- (1) Replaced by Norbert Englert in the April 2004 election. Mr. Englert's term expires April 2006.
- (2) Resigned in October 2003. Jonathon Held was appointed to this position in November 2003. He was replaced by Elwood Wesselschmidt in the April 2004 election. Mr. Wesselschmidt's term expires April 2006.
- (3) Replaced by Duane Kraettli in the April 2004 election. Mr. Kraettli's term expires April 2006.
- (4) Orville Borgmeyer was elected in the April 2003 election to replace David Heberle; however, he resigned in April 2003. Mr. Buckler was appointed to this position in May

2003, and was replaced by Calvin Scheidegger in the April 2004 election. Mr. Scheidegger's term expires April 2005.

- (5) Re-elected in the April 2004 election. Ms. Fricke's term expires in April 2006.
- (6) The compensation includes \$6,596 paid for unused vacation leave. Mr. Browne did not renew his contract, effective April 2004.
- (7) Part-time position.
- (8) Resigned in September 2003. Frank Tennant was appointed to this position in March 2004.
- (9) Resigned in June 2004. Ben Cole Sr. was appointed to this position in July 2004.
- (10) The compensation includes a \$562 monthly salary for attending board meetings, other services billed at \$110 per hour. Mr. Barks resigned, effective April 2004. David P. Politte was appointed City Attorney in June 2004. He receives a \$500 monthly salary for attending board meetings, other services billed at \$110 an hour, and reimbursed expenses. Ada Brehe-Krueger was appointed city Prosecuting Attorney in June 2004. She receives \$90 an hour.

For all full-time employees, including the City Collector, the city contributes 5.6% of the employee's gross salary to a deferred compensation plan. This contribution is not included in the amounts above.

In addition to the elected and other principal officials identified above, the city employed 24 full-time employees and 10 part-time employees at June 30, 2003.

Assessed valuations and tax rates for 2002 were as follows:

#### ASSESSED VALUATION

Real estate	\$	18,606,660
Personal property		7,259,538
Railroad and utility		1,032,291
Total	\$	<u>27,674,669</u>

#### TAX RATES PER \$100 ASSESSED VALUATION

	Rate	Expiration Date
General Fund	\$ .3833	None
Park Fund	.0100	None
Band Fund	.0100	None

The city has the following sales taxes; the rates are per \$1 of retail sales:

	Rate	Expiration Date
General	\$ .0100	None
Transportation	.0050	None
Park	.0025	None